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GLOBAL COMMUNICATIONS LIMITED

*ANNUAL REPORT*

AUGUST 31, 1973

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# GLOBAL COMMUNICATIONS LIMITED

## OFFICERS AND DIRECTORS

\*A. A. BRUNER - - - - President and Chief Executive  
Officer and Director

\*PETER B. HILL - - - - Chairman of the Board

\*\*FRANK C. BUCKLEY - - - Vice-President — Corporate  
and Financial Affairs,  
Treasurer and Director

SYDNEY J. BANKS - - - - Vice-President —  
Independent Program Production

WILLIAM R. CUNNINGHAM - - - Vice-President — News

ROSS F. DOWNEY - - - Vice-President — Marketing

JOHN S. ELDER - - - - Secretary and Director

\*\*LEONARD E. BARLOW - - - - Director

\*DONALD G. CAMPBELL - - - - Director

\*EDWARD W. CHAPMAN - - - - Director

CLAUDE GIROUX - - - - Director

\*\*MARTHA O'DONNELL - - - - Director

CHRISTOPHER R. B. SALMON - - - - Director

YVON SIMARD - - - - Director

\*Executive Committee

\*\*Audit Committee

Transfer Agent and Registrar

GUARANTY TRUST

Auditors

TOUCHE ROSS & Co.

362-7311

David Kerr

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# GLOBAL COMMUNICATIONS LIMITED

To the Shareholders:

We are pleased to submit our first Annual Report for the year ended August 31, 1973. Global Communications Limited was formed as a private company on October 6, 1969. Global became a public company on August 30, 1972 and on December 19, 1972 the Company entered into an underwriting agreement with McLeod, Young, Weir & Company Limited for the sale to the public of \$10,125,000, 6% Convertible Subordinated Debentures due January 15, 1983 and 1,125,000 Voting Preferred Shares of the par value of 1¢ each. This transaction was closed on January 15, 1973 and the net proceeds of \$9,516,750, together with additional funds of \$2,820,000 furnished by principal investors and \$7,000,000 committed by the Company's banker comprises the total financial requirements of your Company for the foreseeable future.

The Company was licensed on July 21, 1972, by the Canadian Radio-Television Commission to provide a third television program service to over seven million Canadians living in Southern Ontario and to form the nucleus of a new national program service. Global's programs will be syndicated to other markets in Canada and sales have already been consummated in the U.S. and the U.K. We are essentially a prime-time network with a philosophy of focusing our resources on the production of a quality rather than a quantity of service.

The Global Television Network is on schedule. The move of over 100 key personnel and staff from downtown Toronto to our exciting new quarters at 81 Barber Greene Road (Global Centre), Don Mills, took place during October. Renovation of our live news bureau in Ottawa, immediately across from the Houses of Parliament, is scheduled for completion in time to make the bureau operational by the end of December.

Negotiations with the cable companies for a standard cable Channel 3 across Southern Ontario are proceeding well and by all indications we will be successful in the vast majority of cases. Global specifically requested Channel 3 so as not to displace any major U.S. service. The decision as to which U.S. service is removed from the basic cable service rests in the hands of the cable companies.

The towers, transmitters and microwave systems are on schedule and will be available for testing in late December.

Global's initial programming is virtually complete. A full range of alternate programming includes all Sunday night games of the Toronto Toros of the World Hockey Association; a new and distinctive daily news service featuring an exclusive "first time" coverage of Southern Ontario; an exciting package of network calibre movies, both Canadian and foreign; a major daily variety/talk/fun show featuring Canadian and international talent; plus some excellent and entertaining drama, panel and comedy series.



Productions are currently being filmed across Canada from Vancouver to Montreal by 17 independent production companies. Global's contribution to the Canadian film industry is invaluable in its creation of innumerable jobs, and the provision of economic input and creative stimulation. For our first eight months on-air we will spend approximately 10 million dollars on programming, 8 million of which is allocated to Canadian programming, including the Global News Service.

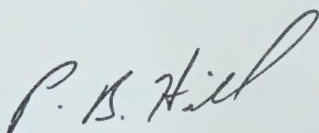
Several eminent Canadians have created shows for Global. Pierre Berton will be appearing in his two productions, The Great Debate and My Country. Global is bringing back Bernie Braden from England as well as the renowned Canadian writing team of John Aylesworth and Frank Peppiatt who, in addition to their own show, have just completed the Julie Andrews' show and specials for Perry Como, Jackie Gleason and Andy Williams. They are presently executive producers for Global's variety/talk/fun show, "Everything Goes".

Global's unique system of "guaranteed cost efficiency" has garnered agency and client respect since it was unveiled at the end of August. Global will not schedule commercials on station breaks, but rather within the program; it is guaranteeing product protection so that no competitive product will be scheduled within the same commercial break. All commercials will appear on the total system with no 'local station' cut-ins. The network is voluntarily restricting itself to only eight commercial minutes per hour. This is one-third less than allowed by the CRTC and is instigated in the interest of less clutter and fewer interruptions with more satisfaction for the viewers and, of course, better visibility for the advertisers' messages. The Marketing Department has expressed satisfaction with the revenues generated to date and they are maintaining their forecast range of revenue achievement.

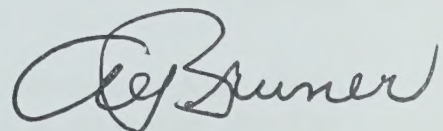
As a preamble to our on-air launch, you will see witty and informative Global TV messages on 800 billboards across the Province, beginning just before Christmas.

When Global goes on-air January 6, 1974, you will find us listed in all TV guides under the call letters GLOBAL.

To all Global employees, Raymond Moriyama Architects and Planners, our contractors and our senior consultants we express our appreciation of an extraordinary effort which will result in our being on-air less than one year from start of construction on Global Centre and our transmitter sites across the Province.



Chairman of the Board.



President.

# GLOBAL COMMU

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### ASSETS

Current		1973	1972
Cash		\$ 98,416	\$ 130,473
Term deposits including accrued interest of \$27,575, at cost, which approximates market value		5,760,237	—
Due from lessor (Note 8)		3,371,153	—
Deferred programming (Note 1b)		359,709	—
Due from associated company		18,392	2,569
Sundry receivables, prepaids and other		32,090	—
		<u>9,639,997</u>	<u>133,042</u>
Fixed			
Land	\$ 180,590	\$ —	
Transmitter system	382,971	—	
Studio and technical equipment	306,694	—	
Furniture and fixtures	44,484	2,224	
	<u>\$ 914,739</u>	<u>\$ 2,224</u>	
		912,515	30,650
Funds held in trust for payment of interest on convertible debentures (Note 5b)		1,513,676	—
Unamortized debenture discount (Note 1e)		485,156	—
Deferred development expenses (Note 1c)		—	448,382
		<u>\$12,551,344</u>	<u>\$ 612,074</u>

See notes to

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The Shareholders,  
Global Communications Limited.

We have examined the consolidated balance sheet of Global Communications Limited as at the end of the year then ended, and the source and application of funds for the year then ended, in accordance with the provisions of the Companies Act and the regulations thereunder, and of accounting records and other supporting evidence as we considered necessary.

In our opinion, these consolidated financial statements present fairly the financial position of the company and the source and application of their funds for the year then ended, in accordance with the provisions of the Companies Act and the regulations thereunder, and of accounting records and other supporting evidence as we considered necessary.

Toronto, Ontario,  
November 5, 1973.



# ATIONS LIMITED

(a Corporations Act)

## Balance Sheet

31, 1973

(for 1972)

### LIABILITIES

Current	1973	1972
Accounts payable and accrued liabilities (including holdback payable of \$218,677)	\$ 1,263,465	\$ 144,128
Due to shareholder	—	46,940
Long-term		
6% convertible debentures due January 15, 1983 (Notes 4 and 5)	10,125,000	—

### SHAREHOLDERS' EQUITY

Capital stock (Notes 3, 4, 5 and 6)		
Authorized		
1,200,000 voting preferred shares, par value 1¢ each		
2,000,000 common shares, no par value		
Issued		
1,125,000 (1972 — Nil) voting preferred shares	11,250	—
665,000 (1972 — 150,000) common shares	3,241,006	421,006
	3,252,256	421,006
Deficit	2,089,377	—
	1,162,879	421,006

On behalf of the Board:

"P. B. HILL", Director.

"A. A. BRUNER", Director.

\$12,551,344

\$ 612,074

statements.

## PORT

ed and its subsidiaries as at August 31, 1973 and the consolidated statements of  
mination included a general review of the accounting procedures and such tests  
circumstances.

ion of the companies as at August 31, 1973 and the results of their operations  
generally accepted accounting principles applied on a basis consistent with that

TOUCHE ROSS & CO.,  
Chartered Accountants.

# GLOBAL COMMUNICATIONS LIMITED

## CONSOLIDATED STATEMENT OF NET LOSS AND DEFICIT

For the Year Ended August 31, 1973

Pre-operating expenses (Note 1c) .....	\$1,622,996
Debenture interest .....	381,976
Amortization of debenture discount .....	<u>32,344</u>
	2,037,316
Less interest income .....	<u>396,321</u>
Net loss for the year .....	1,640,995
Write-off of deferred development expenses (Note 1c) .....	<u>448,382</u>
Deficit, August 31, 1973 .....	<u><u>\$2,089,377</u></u>

**Note:**

Comparative figures are not applicable as the year ended August 31, 1973 is the first year of active operations.

See notes to financial statements.



# GLOBAL COMMUNICATIONS LIMITED

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended August 31, 1973  
(with comparative figures for 1972)

	1973	1972
<b>Source</b>		
Proceeds from issue of:		
Debentures and preferred shares (Notes 4 and 5) . . . . .	\$10,136,250	\$ —
Less		
Debenture discount . . . . .	(517,500)	—
Funds placed in trust for debenture interest (Note 5b) . . . . .	(1,822,500)	—
	<u>7,796,250</u>	<u>—</u>
Common shares . . . . .	2,820,000	420,000
	<u>10,616,250</u>	<u>420,000</u>
Advances from shareholder . . . . .	—	121,117
	<u>10,616,250</u>	<u>541,117</u>
<b>Application</b>		
To operations		
Net loss for the year . . . . .	1,640,995	—
Less items not requiring the outlay of funds		
Debenture interest . . . . .	(381,976)	—
Amortization of debenture discount . . . . .	(32,344)	—
Depreciation . . . . .	(2,224)	—
	<u>1,224,451</u>	<u>—</u>
Purchase of fixed assets . . . . .	884,089	30,650
Deferred development expenses . . . . .	—	242,715
Transfer to funds held in trust for payment of debenture interest . . . . .	73,152	—
Repayment of advances to shareholder . . . . .	46,940	240,000
	<u>2,228,632</u>	<u>513,365</u>
<b>Increase in working capital</b> . . . . .	8,387,618	27,752
<b>Working capital (deficiency), beginning of year</b> . . . . .	(11,086)	(38,838)
<b>Working capital (deficiency), end of year</b> . . . . .	<u>\$ 8,376,532</u>	<u>\$ (11,086)</u>

See notes to financial statements.

# GLOBAL COMMUNICATIONS LIMITED

## NOTES TO FINANCIAL STATEMENTS

August 31, 1973

### 1. Accounting policies

- a. The consolidated financial statements include the accounts of the Company and all of its subsidiaries.
- b. The Company has entered into various contracts to acquire programming and film rights and to develop, produce and provide various programmes and services. The costs incurred under these contracts have been deferred and the corresponding liabilities have been reflected in these financial statements only to the extent payable as at August 31, 1973.  
Such deferred costs will be amortized according to their expected broadcast use commencing on the date of broadcasting. Programmes and pilots will be fully written off when they are deemed to be of no value.
- c. The Company's policy is to expense as incurred all corporate development and organization costs. Accordingly those similar costs (incurred primarily prior to obtaining the broadcast licence, July 21, 1972) which had previously been deferred have now been written off.
- d. The Company has adopted effective from the date of "on-air" operations the following straight-line depreciation rates:

Buildings .....	5%
Transmitters, antennae and towers .....	7½ %
Studio equipment .....	12½ %
Vehicles .....	33⅓ %

Furniture and fixtures are depreciated from the date of acquisition at 20% straight-line.
- e. The discount on the convertible debentures issued during the year (Note 4) is being amortized over the life of the debentures.

### 2. Financing

The Company's management has forecast losses during the initial years' operation which are expected temporarily to exceed the capital stock of the Company. To ensure adequate financing of these operating losses and the acquisition of equipment and programmes (Note 9) during these initial years, the Company accepted an undertaking by its bankers to loan the Company, as and when required, \$6,000,000 by way of a term loan maturing August 31, 1979 and \$1,000,000 by way of an operating loan renewable annually and requiring as security for both loans a debenture of the Company for \$7,000,000 creating a first fixed and floating charge covering all assets of the Company acquired or to be acquired as well as, in respect of the operating loan, a registered general assignment of book debts of the Company. As at August 31, 1973 no advances had been received under this available financing.

### 3. Supplementary letters patent

By supplementary letters patent dated November 1, 1972, the Company was declared to be a constrained-share company. By further supplementary letters patent dated December 19, 1972, the Company's authorized share capital was increased by the creation of 1,200,000 voting preferred shares of the par value of 1¢ each.

### 4. Capital stock and debentures

During the year the Company issued:

- a. 90,000 common shares at \$3 per share and 425,000 common shares at \$6 per share for an aggregate consideration of \$2,820,000.
- b. 225,000 Units each consisting of one 6% convertible debenture of the Company in the principal amount of \$45 and five voting preferred shares of the par value of 1¢ each pursuant to an underwriting agreement dated December 19, 1972 for an aggregate consideration for the debentures of \$9,607,500 (\$10,125,000 principal less discount on issue of \$517,500) and \$11,250 for the preferred shares.

The Company has reserved 1,125,000 common shares for issuance on conversion of the convertible debentures (Note 5).



## **5. 6% convertible debentures**

- a. The convertible debentures are convertible into fully paid and non-assessable common shares in the capital of the Company. Such conversion privilege may be exercised at any time, up to the close of business on the last business day preceding January 15, 1983, on the basis of five common shares of the Company for each \$45 principal amount of convertible debentures:
  - (i) at the option of the registered holder of any Unit with respect to the convertible debentures forming part of such Unit; or
  - (ii) at the option of the Company with respect to all the then outstanding convertible debentures provided that net earnings for four consecutive fiscal quarters ended prior to the date on which the convertible debentures are called for conversion by the Company aggregate not less than \$1 per common share to be outstanding on such date after giving effect to full conversion into common shares of all debentures not theretofore converted.

At such time as convertible debentures are converted into common shares of the Company or are discharged in full, the voting preferred shares to which such debentures are related shall be purchased for cancellation by the Company.

- b. The funds held in trust for payment of interest on convertible debentures (which are required under the terms of the debenture issue) represent the interest payments required on the debentures from August 31, 1973 through January 15, 1976 plus interest earned to date on the funds on deposit. Payments of interest on the debentures for the three year period from date of issue, January 15, 1973, will be made directly by the trustee. \$303,750, being the first interest payment due on the debentures, was paid by the trustee during the year.

## **6. Voting trust agreement**

Each of the principal common shareholders of the Company, namely, CanPlex Limited, Maclean-Hunter Limited and The Odeon Theatres (Canada) Limited entered into with A. A. Bruner, Donald G. Campbell and Christopher R. B. Salmon as Voting Trustees, and Guaranty Trust Company of Canada, as Depository, an agreement dated December 19, 1972 by the terms of which these shareholders who hold all the issued common shares of Global Communications Limited, agreed to act together to secure continuity in the management and policy of the Company. The term of this Voting Trust Agreement is for five years after commencement of "on-air" operations, expected to be January 6, 1974.

Under the terms of the agreement these shares are to be released from the trust at 5% per annum commencing in 1976, provided certain conditions are adhered to.

In addition, 595,000 of the issued common shares held by shareholders and covered by the Voting Trust Agreement are held in escrow by Guaranty Trust Company of Canada. The escrowed common shares may not be released by the escrow agent except upon the prior written consents of the Alberta, Ontario and Quebec Securities Commissions.

## **7. Long term contracts — shareholders**

By agreements dated July 31, 1972 between the Company and two of its shareholders, CanPlex Limited and Maclean-Hunter Limited, these shareholders are to provide senior executive resources for the five years ending August 31, 1977 at an aggregate annual fee of \$200,000. In addition, by an agreement dated July 31, 1972, Maclean-Hunter Limited will make available to the Company for the five year period from the date of commencement of "on-air" operations (anticipated to be January 6, 1974) news, information and other services at normal rates, subject to a minimum fee at a rate of \$100,000 per annum.

## **8. Due from lessor — sale and lease-back**

During the year the Company entered an agreement for the purchase, in the amount of \$1,575,000, of land and building for use as head offices, network control centre and production facilities. Prior to closing, the purchase agreement was assigned to Goldfan Holdings Limited and Sixty-Eight Realty Limited and under the agreement the Company:

- a. Can, at its own cost, add such production facilities, improvements and attachments to the premises as it may require for broadcasting.
- b. Will be reimbursed by December 28, 1973 (anticipated completion date of production facilities) for such costs incurred under 8a above up to a maximum of \$4,000,000 including \$1,575,000 advanced to the assignees to enable them to complete the purchase of the premises covered by the purchase agreement. This temporary advance of \$1,575,000 to the assignees is secured by a 9¼% first mortgage on the premises and matures December 28, 1973.
- c. Will lease on a net basis the aforementioned premises for a period of twenty-five years (with options to renew for two successive five year periods) commencing from December 28, 1973 at an annual rental of 12% determined on the aforementioned reimbursed costs.

The annual rental is to be adjusted by 50% of the cost of living index increase in the tenth and the twentieth year of the lease.

As at August 31, 1973, it is estimated by management that the total estimated cost of the premises, based on its existing construction contracts, to be approximately \$4,700,000, of which \$3,371,153 were incurred to August 31, 1973. That portion which is anticipated to be in excess of the reimbursement (\$700,000) will be capitalized and amortized.

#### 9. Purchase commitments

During the year the Company entered into a number of contracts to acquire fixed assets, programme and film rights and production and broadcast services. Although the estimated future commitments under these contracts vary as to periods covered and amounts, they may be summarized as follows:

	Year Ending August 31	Amount
Fixed asset acquisitions .....	1974	\$6,350,000
Programming, film rights, production and broadcast services	1974	\$5,750,000
	1975	\$4,880,000
	1976	\$3,900,000
	1977	\$2,500,000
	1978	\$1,250,000

#### 10. Income taxes

Based on tax returns filed and to be filed for the year ended August 31, 1973, the Company has income tax loss carryovers of approximately \$2,000,000 which expire as follows:

1975 .....	\$ 99,000
1976 .....	106,000
1977 .....	238,000
1978 .....	1,557,000

#### 11. Remuneration of directors and officers

Remuneration of eleven directors as directors .....	\$ Nil
Remuneration of seven officers as officers .....	101,371
Three officers are also directors	

The aforementioned amounts do not include the amounts paid by shareholders (Note 7) for the services of certain directors and officers.



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## TO: THE SHAREHOLDERS

Welcome to the Global family of Shareholders! We are pleased to submit the accompanying unaudited report of Global for the six-month period ended February 28, 1973, the first such report of Global as a public company.

Much has happened since the Canadian Radio-Television Commission granted Global its license on July 21, 1972. In mid-January, 1973, McLeod, Young, Weir & Company Limited, as underwriter, acquired the 225,000 units of Global, comprising \$10,125,000 6% convertible subordinated debentures due January 15, 1983, and 1,125,000 voting preferred shares of the par value of 1¢ each, yielding to the Company \$9,618,750 (before deducting expenses of issue). Contemporaneously CanPlex Limited, Maclean-Hunter Limited and The Odeon Theatres (Canada) Limited, took up the common shares of Global previously subscribed for by them upon payment of the further aggregate sum of \$2,820,000.

The notes to the statements reflect the writing off of the initial development expenses of the Company for the period to August 31, 1972, as an extraordinary item; expenses incurred subsequent to that date have been regarded as an expense item.

Your Company has been proceeding on a demanding development schedule to facilitate an "on-air" launch early in January, 1974.

The Senior Executive Team is now complete and working more than full-time on establishment of policies and support teams in each of the Program, Marketing, Production and Transmitter Facilities, and Financial areas. This core group of 35, including support staff, will hold relatively constant until September, when the move to Global's new Television Centre in the heart of Metro-Toronto is to take place.

Construction is well underway on the Global Network Nerve Centre and Head Office within an existing structure of about 99,000 square feet, located on more than 5 acres of land in Don Mills. The design of a sophisticated and efficient production capability for this facility is nearly completed and contracts are being let.

Also, in February, three major contracts were let and construction of our initial 6 transmitters, towers and allied program distribution equipment has commenced.

We are most encouraged with the quality and variety of both foreign and Canadian programming which appears available to us. Important purchases of foreign programming have been made and over 20 exciting and varied Canadian programs are already in the process of piloting and pretesting.

In the last three months, the Marketing Group has made over 100 individual marketing presentations to advertising agencies and their clients. The response has been most encouraging and, indeed, has caused us to expedite our direct contract negotiations with clients. A first blocking of our on-air schedule will be presented to major clients and agencies starting May 1.

As to extension of the Global program service, Global has provided to the CRTC and all applicants for new local stations for Vancouver, Edmonton and Winnipeg, a plan for compatible provision of Global services in these and other areas of Canada.

Global development is proceeding in accordance with the terms of its license and in a manner consistent with the "Proposals for a Communications Policy for Canada" as recently published by the Federal Government.

Respectfully submitted,

P. B. Hill,  
Chairman of the Board

A. A. Bruner,  
President &  
Chief Executive Officer

Dated: April 25, 1973.

GLOBAL COMMUNICATIONS LIMITED

REPORT TO SHAREHOLDERS  
FOR THE SIX MONTHS  
ENDED FEBRUARY 28, 1973

Global Communications Limited  
(Interim Address)  
Suite 417  
150 King Street West  
Toronto 1, Ontario  
(416) 868-1972



**GLOBAL COMMUNICATIONS LIMITED**  
(Incorporated under the laws of Canada)  
**BALANCE SHEET AS AT FEBRUARY 28, 1973**

**ASSETS**

Current		
Cash	\$ 184,707	
Term deposits	9,650,000	
Accrued interest receivable	29,505	
Other	<u>10,483</u>	
		\$ 9,874,695
Fixed — at cost		
Land	129,230	
Construction in progress —		
Buildings	191,716	
Equipment	107,408	
Furniture & fixtures	<u>9,113</u>	
		437,467
Funds held in trust for payment of interest on convertible debentures		1,822,500
Unamortized debenture discount		<u>511,031</u>
		<u>\$12,645,693</u>

**LIABILITIES**

Current		
Accounts payable & accrued liabilities	\$ 250,497	
Long Term		
6% Convertible subordinated debentures due Jan. 15, 1983.	<u>10,125,000</u>	
		\$10,375,497

**SHAREHOLDERS' EQUITY**

Capital Stock		
Authorized		
1,200,000 voting preferred shares, par value of 1¢ each		
2,000,000 common shares, no par value		
Issued and fully paid		
1,125,000 voting preferred shares	11,250	
665,000 common shares	<u>3,241,006</u>	
	3,252,256	
Deficit	<u>982,060</u>	
		2,270,196
		<u>\$12,645,693</u>

unaudited

**STATEMENT OF REVENUE & EXPENDITURE & DEFICIT  
FOR THE SIX MONTHS' ENDED FEBRUARY 28, 1973**

Expenditures	
Administrative expenses	\$367,312
Financing costs	172,030
Debenture interest	58,253
Amortization of debenture discount	6,469
Total Expenditure	<u>604,064</u>
Interest income	<u>70,386</u>
Net expenditure for period	<u>\$533,678</u>
Deferred development expenditures at Aug. 31, 72, written off (Note 4)	<u>448,382</u>
Deficit, Feb. 28, 73	<u>\$982,060</u>

unaudited

**NOTES TO FINANCIAL STATEMENTS**

1. The Company's management has forecast losses during the initial years' operation which are expected temporarily to exceed the capital stock of the Company. A line of credit, as referred to in Note 3 hereof, has been negotiated with a Canadian chartered bank in order to ensure adequate financing during these initial years.
2. The Company is committed to purchasing fixed assets of approximately \$1,500,000 and to obtaining microwave services for approximately \$4,000,000, payable in equal annual instalments over ten years.
3. The Company has accepted an undertaking by its bankers to loan the Company, as and when required, \$6,000,000 by way of a term loan maturing Aug. 31, 1979, and \$1,000,000 by way of an operating loan, renewable annually, and requiring as security for both loans a debenture of the Company for \$7,000,000, creating a first fixed and floating charge covering all assets of the Company acquired or to be acquired and, in respect of the operating loan, a general assignment of book debts of the Company.
4. A decision has been made by management to expense all development and organizational costs incurred prior to on-air operations and accordingly deferred development expenses at August 31, 1972, aggregating \$448,382, have now been written off.

**STATEMENT OF SOURCE & APPLICATION OF FUNDS  
FOR THE SIX MONTHS' ENDED FEBRUARY 28, 1973**

Source		
Issuance of voting preferred shares	\$ 11,250	
Issuance of common shares	2,820,000	
Issuance of 6% convertible subordinated debentures	<u>\$10,125,000</u>	
Less debenture discount	<u>517,500</u>	
		9,607,500
		<u>\$12,438,750</u>
Application		
Acquisition of fixed assets		406,817
Funds placed in trust for payment of debenture interest		1,822,500
Net expenditure for period	533,678	
Less amortization of debenture discount not requiring an outlay of funds	<u>6,469</u>	
		527,209
		<u>2,756,526</u>
		9,682,224
Increase in working capital		
Working capital deficiency, Sept. 1, 1972		(58,026)
Working capital, Feb. 28, 1973		<u>\$ 9,624,198</u>

unaudited

Comparative figures for the corresponding 6 month period of the previous year have not been included since they would not be meaningful.